BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the California Solar Initiative, the Self-Generation Incentive Program and Other Distributed Generation Issues.	Rulemaking 12-11-005 (Filed November 8, 2012)

OPENING COMMENTS OF SOLARCITY CORPORATION ON THE PROPOSED DECISION REGARDING TRANSFER OF RESPONSIBILITY FOR COLLECTING SOLAR STATISTICS FROM THE CALIFORNIA SOLAR INITIATIVE TO THE NET ENERGY METERING INTERCONNECTION PROCESS

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, SolarCity Corporation (SolarCity) submits these opening comments on Commissioner Michael R. Peevey's Proposed Decision (PD) regarding transfer of responsibility for collecting solar statistics from the California Solar Initiative (CSI) to the net energy metering (NEM) interconnection process

SolarCity is a leading developer of NEM systems in California and has a keen interest in the data collection requirements imposed on developers. SolarCity submitted comments and reply comments on the August 22, 2013 Assigned Commissioner's Ruling (ACR) in the present matter. While the PD acknowledges SolarCity's concerns regarding the value and the cost associated with collecting some of the data to be compiled and submitted by developers in the ACR, the PD requires collection of even more data fields than was envisioned in the ACR, which proposed 24 data fields. SolarCity respectfully suggests that the PD has not substantively responded to several specific issues raised in SolarCity's comments on the ACR, amounting to factual or technical error.

Furthermore, SolarCity believes it is legal error to add new reporting requirements that were not identified in the ACR, as parties did not have a prior opportunity to formally comment

on these additional reporting requirements. Finally, SolarCity suggests that the PD errs by neglecting to address data collection requirements for existing systems, and should clarify that these systems will not face any new reporting burden.

SolarCity reiterates that it supports much of the data collection proposed in the PD, as previously noted. SolarCity generally supports data transparency and welcomes opportunities to leverage system-related data to encourage market growth and identify opportunities to capture value for potential NEM customers. At the same time, SolarCity remains very concerned that a non-trivial share of the hard-fought reductions in various soft and hard costs associated with solar PV systems that the rooftop solar industry, including SolarCity, have realized through aggressive efforts to streamline operations will now effectively be used to pay for the costs of collecting additional data rather than reducing the costs of solar energy to end-use customers. It is for this reason that, in the absence of a compensating financial incentive (such as the CSI) or other mechanism for recovery of costs associated with data collection and reporting, SolarCity continues to emphasize that only those costs that can be meaningfully justified should be imposed on the solar industry. In addition, given the speculative value of many of the data fields sought and the implications of making the interconnection process more complex and costly, under no circumstances should developers be required to go back and update fields beyond those that have practical/technical impacts on how a system interacts with the utilities' distribution system.

While these comments on the PD necessarily focus on perceived errors in the PD, SolarCity wishes to commend Commissioner Peevey regarding two important and very positive elements of the PD: the use of online processing of interconnection applications and the shift to a uniform application across all three of the major investor-owned utilities (IOUs). Both elements will help reduce costs and speed interconnection times, and SolarCity supported their inclusion in earlier comments.

II. THE COMMISSION MUST ADDRESS SPECIFIC ISSUES RAISED BY SOLARCITY REGARDING COLLECTION OF SEVERAL DATA FIELDS OR NOT REQUIRE THEIR COLLECTION.

The need for each of the proposed data fields is collectively deemed "vital" and "invaluable" multiple times in the PD, but there can be no dispute that some of the data fields are far more useful than others. Below, we suggest the need for further clarification regarding

reporting of system cost; we urge the Commission to require reporting of the system developer rather than the system owner for third party-owned systems; we note that the PD has dropped the required reporting of the module manufacturer without explanation; and we ask that the PD address SolarCity's request to provide a simplified process for systems up to 10 kilowatts (kW) in size. Each of these changes would ease the data collection burden on developers and the associated costs.

System Cost

The PD acknowledges SolarCity's concern that system cost is difficult to ascertain in the case of third party-owned systems, and proposes use of the "Investment Tax Credit (ITC) filed amount" for such systems.[1] SolarCity believes clarification on the value to be reported for this data field is needed. As background, below is an overview of how the value used to calculate the ITC for a project is determined.

The ITC pursuant to section 48 of the Internal Revenue Code is equal to 30% of the taxpayer's cost basis in ITC-eligible assets. The taxpayer's cost basis in the eligible solar assets is determined pursuant to section 1012 of the Internal Revenue Code, and generally equals the amount that a taxpayer pays to acquire such assets. Accordingly, the value of a PV system that is claimed for purposes of the ITC is typically a value equal to the price paid for the PV system by either a homeowner or an investment fund. In certain cases, a taxpayer is allowed to pass-through the ITC to a qualifying lessee; in such instances the lessee is deemed to have a cost basis equal to the fair market value of the system at the time possession is transferred to the lessee. For systems sold or leased by SolarCity, the claimed ITC cost basis equals the purchase price/claimed fair market value for the PV system (the purchase price and fair market value claimed by lessees are the same amount), and is supported by an independent third-party appraisal.

SolarCity requests that the CPUC confirm that the purchase price/fair market value approach described above would satisfy the information sought through the "Federal ITC filed amount" field. SolarCity believes that a more precise and accurate way of characterizing this information would be the "claimed Federal ITC cost basis in the PV System" and requests that the data field be renamed accordingly.

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[1] PD at 15.

System Owner

Reporting of system ownership was another primary concern identified by SolarCity,[2] and unfortunately this requirement remains in the PD. It is unclear what will be gained by putting third party system developers through the exercise of identifying ultimate system ownership, and as we noted, ownership is not clear at the time of filing the interconnection application.

Solar developers, including vertically integrated companies like SolarCity, generally do not have sufficient federal tax liabilities to use all the federal ITC benefits associated with third-party owned systems themselves. As a result, developers partner with tax-equity investors who can utilize the tax benefits. Tax equity investment structures that utilize a special purpose entity, jointly created by the solar developer and the tax equity investor partner, are used by solar developers for third-party owned systems.

SolarCity suggests that what the Commission and researchers actually want to know is the identity of the solar developer, not the identity of the special purpose entity. It is not "vital" or "invaluable" to anyone that a particular tax equity investor, Bank X, is likely to own the system on Customer Smith's home for purposes of claiming the federal ITC after it has been installed. Our customers think of the systems on their roofs as SolarCity systems, and it is useful to the Commission and researchers to know how many installed systems are being managed by a given developer of third party-owned systems. We urge the Commission to simplify this reporting requirement and require reporting only of the identity of the solar developer.

Inverter Manufacturer

Required reporting of the inverter manufacturer is not a factual, technical or legal error, and we do not challenge the Commission's decision to require it. However, the PD does not address the concern raised by SolarCity that with some frequency, between system design and installation, the inverter that an installer expects to use may be changed, due to equipment

[2] SolarCity's Sep. 13, 2013 Comments on the ACR at 6.

availability. Given the commodity nature of inverters[3], we do not believe there is meaningful value in requiring developers to go back and revise information submitted in circumstances where one model or type of equipment has been substituted with, for all practical purposes, identical equipment that does not have any practical bearing on the technical impacts or safety implications of interconnecting the system to the utilities' distribution systems.

Panel Manufacturer

The PD no longer calls for the applicant to provide the "Number of PV panels and PV panel manufacturer(s) and model(s)."[4] While there is no explanation for the elimination of this information from the fields to be included in the interconnection application, it is consistent with the argument made in SolarCity's comments on the ACR and SolarCity supports removal of these data fields. SolarCity understands that the PD intended to eliminate these fields.

If for some reason these fields are to be included, SolarCity offers the same perspective regarding these fields as those discussed above related to inverter manufacturer. Panel models are even more numerous than inverter models, with 13,521 listed as SB1-eligible.[5] As with inverters, the panels are largely (but not completely) interchangeable. We do not believe developers should be required to update this information if, between when the interconnection application is submitted and the project is installed, one panel type is exchanged for another equivalent panel from another manufacturer. Reiterating what we stated above, updates to the interconnection application should only be required in those circumstances where the equipment change has implications for how the system interacts, from an interconnection and safety standpoint, with the utilities' distribution systems.

Simplified Procedures For Systems 10 kW Or Less

SolarCity asked that the Commission consider a simplified interconnection application for systems up to 10 kW,[6] and the PD does not address this suggestion. In particular, we suggested that tilt and azimuth are not necessary to collect for these systems. These small

[3] As of September 1, 2014, GoSolar California lists an incredible 2,078 SB1-eligible inverters. Alone, there are 79 different six kW inverters from which an installer can choose for a residential installation of that size.
[4] See ACR table of data fields at 4, and PD table of data fields at 14 and Appendix A.
[5] See http://www.gosolarcalifornia.ca.gov/equipment/pv_modules.php.
[6] SolarCity's Sep. 13, 2013 Comments on the ACR at 10.

systems are overwhelmingly fixed arrays on south-facing slopped rooftops, with some predictable variation. For example, the aggregate hourly output of a megawatt of residential arrays in Fresno installed next year is going to be almost identical to the hourly output of a megawatt of residential arrays in Fresno installed last year. There is no need for an installer to collect and report tilt and azimuth for two hundred residential systems installed in Fresno next year to get to an entirely predictable result. Even for systems with all panels on a single roof slope, the effort to input the data into the application is an added step with no added benefit. As well, pulling this data off of our plans and inputting it into the interconnection application is often complicated by having panels mounted on different roof slopes for an individual system, making the calculation non-trivial. While the PD does note that the Working Data Set allows for simplifying assumptions for systems with more than one tilt or azimuth, we suggest consideration of the far simpler approach of not inputting tilt and azimuth at all for smaller systems.

III. DATA SETS REQUIRED BY THE PD BUT NOT SUGGESTED IN THE ACR HAVE NOT BEEN SUFFICIENTLY VETTED AND ARE NOT NECESSARY.

Several new data fields are required in the PD that were suggested by parties in response to the ACR. SolarCity and other parties did not have an adequate opportunity to comment on these additional fields, and suggests now that they add non-trivial costs to the interconnection process without any reasonable justification from the Commission on their inclusion beyond very broad and speculative statements that the data to be collected is of substantial value.

Permitting Cost

We note that owing to SB 1222, local solar permitting costs across the state are capped[7]. This greatly reduces the variability anticipated in permitting costs across jurisdictions. Additionally, Assembly Bill 2188, currently awaiting Governor Brown's signature, should result in further reduction and harmonization of permitting fees across the state. At the same time, we acknowledge that this information can be helpful in identifying best practices and further

[7] SB 1222 limits permit fees, issued by a city, county, city or county or charter city, for rooftop solar energy systems to not exceed $500 plus $15 per kilowatt for each kilowatt above 15kW for residential rooftop solar energy systems, and $1,000 plus $7 per kilowatt for each kilowatt between 51kW and 250kW, plus $5 for every kilowatt above 250 kw, for commercial rooftop solar energy systems, unless certain conditions are met.

reducing permitting costs. As with all fields identified in the PD, it is important that the Commission appropriately balances the costs of requiring a particular field's inclusion, with a clear articulation and assessment of the benefits that the Commission believes will be realized.

REC Owner If Third Party Owned

As with system ownership, discussed earlier, it is not necessarily easy to ascertain at the time of the interconnection application who will own the renewable energy credits (RECs) from a third party-owned system. And, as with system ownership, it is not important to the Commission or any researcher whether Bank X or Bank Y will eventually own the RECs; what is of interest is whether the customer or a third party owns the RECs. In other words, this data field, if required, should simply have two checkboxes.

As the Commission knows, RECs from net-metered systems are rarely traded given metering and reporting requirements and their low value due to treatment as "bucket three" RECs under California's Renewables Portfolio Standard. Given that the Commission has made it very difficult for anyone to monetize RECs from net-metered systems, it seems particularly inequitable to add a cost to track those RECs. We ask that the Commission either not require this data field or simplify the reporting by only asking if the customer or a third party owns the RECs, without requiring the name of the REC owner.

EPBB Calculator

SolarCity and others have no particular reason to run the Expected Performance Based Buydown (EPBB) calculator without an associated incentive program. While we will estimate production for our own purposes, there may be a reason for any given system to modify the EPBB calculation. Requiring solar developers to run the EPBB separately would be a costly exercise with limited value. As noted previously when arguing that tilt and azimuth data provide researchers with almost no useful information by themselves, the EPBB calculation is only helpful for the calculation of expected annual production. Running the EPBB calculator for two hundred new systems in Fresno with a collective capacity of a megawatt, for example, will be very, very close to the actual production from a megawatt of systems in place in Fresno now. There is no practical need to go through that exercise, and this requirement should be deleted.

Battery For Energy Storage On-Site

SolarCity does not disagree with the Commission that there will be great interest in the number of customer-sited systems that incorporate energy storage, how those numbers change over time, and the capabilities of those systems. Given that these data fields were not included in the ACR, though, we believe that including them this late in the process denies developers and other stakeholders appropriate due process. Indeed, there may be battery project developers that chose not to actively monitor this particular track in the proceeding because, based on the fields included in the ACR, they reasonably thought that storage projects would not be directly implicated.

IV. THE FINAL DECISION SHOULD CLARIFY THAT NO NEW DATA IS REQUIRED FOR EXISTING SYSTEMS.

Presumably, the data requirements listed in the PD are only applicable for new interconnection applications, but it would be helpful to clarify that no new data from project developers is required for existing systems. Project developers should not be required to go back to already submitted interconnection applications and enter new data associated with those systems. If there are additional fields that can be filled in by the utilities, based on information that they already collect, SolarCity would support that information being provided by the three major investor owned utilities. We understand that unlike solar project developers, they can recover the costs associated with collecting and reporting this data. In contrast, it would be a substantial and unexpected burden to have to report data that was not previously required for the tens of thousands of systems that have already been deployed or submitted interconnection applications to the utilities.

V. CONCLUSION

SolarCity appreciates the opportunity to provide comments on the Proposed Decision and requests that the Commission consider removal of the data collection requirements discussed herein, and clarify that the Final Decision will not impose any data collection requirements related to existing NEM customers on solar project developers, and will not require developers to update information that does not directly bear on how the system interacts, from an interconnection and safety standpoint, with the utilities' distribution systems.

Respectfully submitted at San Francisco, California on September 2, 2014,

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